DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
DIRECTORATE FOR INFORMATION OPERATIONS AND REPORTS
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Systems & Services

AUG 15 2002

MEMORANDUM FOR OSD AND WHS INFORMATION TECHNOLOGY MANAGERS

SUBJECT: S&S Bulletin Number 02-02, Business Case Analyses (BCAs)

The purpose of this bulletin is to provide format and guidance for preparation of a Business Case Analysis, which will replace the previously required Functional Economic Analysis. The current DIOR memorandum, Subject: Guidance on Functional Economic Analyses (FEAs), dated May 21, 1998, is hereby cancelled.

BCAs provide a standard methodology to weigh the merits of an investment project and evaluate alternative solutions and associated risks against expected benefits, as required by the Clinger-Cohen Act of 1996. Attached are preparation instructions for the narrative portion of the BCA and an Excel worksheet for preparing the quantitative analysis. Please note the addition of the RDT&E appropriation in the quantitative analysis.

BCAs are to be submitted to Systems and Services (S&S) in advance of the DD Form 562 request for each investment project of $100,000 or greater. S&S will review them for completeness and reasonableness. If any clarification is required, S&S will coordinate with you to resolve any issues. A memorandum will be provided when the BCA is approved. Generally, BCA preparation should not cost more than one half of one percent of the total system project cost. The amount of analysis required is dependent upon the size and complexity of the project.

The BCA is a good analysis for most of the projects you execute, but some projects require more extensive analyses. Greater detail and formality in the planning process is required as acquisitions become more complex and costly (see Federal Acquisition Regulation, Part 7). OSD and WHS Component organizations are responsible for maintaining adequate requirements and acquisition planning documentation for all of their initiatives.

If you have any questions or you need help preparing a BCA, please contact Linda Van Landuyt at (703) 604-1496 or vanlanduyt@dior.whs.mil.

Sally Reams

Sally Reams
Director

Attachments:
As stated

# Business Case Analysis Narrative

## Preparation Instructions

1. Organization.

[State name of organization, sub-component, primary point of contact, and phone extension of contact.]

2. Project Identification.

[State project number and project name.]

3. Functional Areas.

[Briefly describe the functional areas involved with the project citing location where work is performed, volume of activity, personnel employed, and IT resources used.]

4. Current Environment.

[Describe the environment in which the work is now being performed including reliability, quality, and timeliness in terms of both what is expected and what is being performed. Include comments on flow of data requirements and anticipated project changes for the future.]

5. Impact of Change.

[Describe why a change is required.]

[State in functional terms what will be accomplished by implementing the new project.]

6. Description of New Project.

[Describe what is to be purchased with the investment in IT terms.]

[If multiple work units are involved, describe a single unit.]

[Describe how the IT investment will be used to accomplish specific objectives.]

7. Implementation Strategy.

[Describe the implementation methodology and the time frame for completing the new project.]

[Describe any impact on current operations during implementation of the new project.]

8. Fiscal Impacts.

[Provide the rationale for dollars to be expended and saved showing O&M and Procurement dollars. Include the budgets affected (IT and others). Provide timeframe involved for what is being procured and for operational costs (both increases and decreases) over the life cycle of the project.]

[Example: This project is estimated to save each user approximately 2 hours per week, 50 weeks per year. There are 350 users and the average salary with benefits is a GS-13 step 5 (approximately $42/hour). The calculation is 2 x 50 x 350 x $42 = $1,470,000 per year. Since the procurement will be completed by the end of the 2nd quarter, the estimated base-year pro-rated savings is $735,000. O&M maintenance costs are estimated to be $3,000 per year.]

[State return on investment shown on the quantitative analyses worksheet.

[Briefly describe reliability of fiscal estimates.]

9. Non-Cost Factor Benefits.

[Describe consideration of non-cost factors in overall decision of such items as obsolescence, availability, reliability, maintainability, expandability, flexibility, security, privacy, personnel impact, user acceptance and accountability.]

[Describe basis of decision for reasons other than fiscal that were the primary factors in selection of alternative.]

10. Summary of Alternatives Explored.

[List other alternatives considered which were not selected for implementation, state degree to which explored, and the rationale for discarding them. Typically, work on an alternative should end when it is clearly determined that the particular alternative will not be the one chosen for implementation.]

11. Risk Assessment.

[Describe technical and schedule risks in terms of functional impact on the organization if project is not accomplished.]

[Describe fiscal risk in terms of funds to be lost if project is technically deficient or not on schedule. This category should include both investment and operational costs.]

# *Business Case Analysis*

***(All Entries in Base Year Constant Dollars in Thousands)***

**OSD or WHS Component:**
**Project Code:**
**Project Name:**

| Object Class | Description | Base Year | Base + 1 Year | Base + 2 Years | Base + 3 Years | Base + 4 Years | Base + 5 Years | Base + 6 Years | Base + 7 Years | Base + 8 Years |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. Investment Section** | | | | | | | | | | |
| **1. RDT&E:** | | | | | | | | | | |
| 2522 | Contract Studies & Analysis | | | | | | | | | |
| 2524 | Contract Engr & Tech Srvcs | | | | | | | | | |
| 2566 | Prototype Development | | | | | | | | | |
| **SubTotal RDT&E:** | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **2. IT Procurement:** | | | | | | | | | | |
| 3133 | Networks & Servers | | | | | | | | | |
| 3134 | OA Upgrades/Replacements | | | | | | | | | |
| 3134 | Initial User Training | | | | | | | | | |
| 3134 | System Integration | | | | | | | | | |
| 3135 | Mini-Comp Upgrades/Repl | | | | | | | | | |
| 3137 | COTS Software Purchase | | | | | | | | | |
| **SubTotal IT Procurement:** | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **3. O&M Upfront Costs:** | | | | | | | | | | |
| 2567 | Studies & Anal - Inter Gov | | | | | | | | | |
| 2594 | Studies & Anal | | | | | | | | | |
| **SubTotal O&M Upfront Costs:** | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **4. Other O&M:** | | | | | | | | | | |
| 2592 | Hardware Maintenance | | | | | | | | | |
| 2593 | SW Maintenance | | | | | | | | | |
| 2595 | On-Site Support | | | | | | | | | |
| 2602 | COTS Software | | | | | | | | | |
| **SubTotal Other O&M:** | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Investment:** | | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |


# *Business Case Analysis*

***(All Entries in Base Year Constant Dollars in Thousands)***

## B: Projected Savings:

| Object Class | Description | Base Year | Base + 1 Year | Base + 2 Years | Base + 3 Years | Base + 4 Years | Base + 5 Years | Base + 6 Years | Base + 7 Years | Base + 8 Years |
|---|---|---|---|---|---|---|---|---|---|---|
| 1000 | Productivity | | | | | | | | | |
| 2565 | Other Support Services - Inter | | | | | | | | | |
| 2567 | Studies & Anal - Inter Gov | | | | | | | | | |
| 2592 | Equipment Maintenance | | | | | | | | | |
| 2593 | SW Dev/Maint - Not Project | | | | | | | | | |
| 2595 | On-Site Support | | | | | | | | | |
| 2602 | COTS S/W | | | | | | | | | |
| 2603 | Information Services | | | | | | | | | |
| **Total Projected Savings:** | | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |

## C. Summary

| | |
|---|---|
| **1. Inflated Investment** | **$0** |
| **2. Inflated Savings** | **$0** |
| **3. Constant $ - Invest** | **$0** |
| **4. Constant $ - Savings** | **$0** |
| **5. Pres Val - Investment** | **$0** |
| **6. Pres Val - Savings** | **$0** |
| **7. Return on Investment** | **#DIV/0!** |